
State:	District of Columbia	Filing Company:	State National Insurance Company, Inc.
TOI/Sub-TOI:	17.0 Other Liability-Occ/Claims Made/17.0024 Internet Liability		
Product Name:	CFC - Cyber Private Enterprise Program		
Project Name/Number:	CFC - Cyber Private Enterprise Program/CFC-DC-19001-R		

Filing at a Glance

Company:	State National Insurance Company, Inc.
Product Name:	CFC - Cyber Private Enterprise Program
State:	District of Columbia
TOI:	17.0 Other Liability-Occ/Claims Made
Sub-TOI:	17.0024 Internet Liability
Filing Type:	Rate/Rule
Date Submitted:	01/13/2020
SERFF Tr Num:	STNA-132219480
SERFF Status:	Submitted to State
State Tr Num:	
State Status:	
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Effective Date	On Approval
Requested (New):	
Effective Date	
Requested (Renewal):	
Author(s):	Linda Rothwell, Sonja Rodebaugh, Sandra Baggio, Diane Zaborowski
Reviewer(s):	
Disposition Date:	
Disposition Status:	
Effective Date (New):	
Effective Date (Renewal):	

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General Information

Project Name: CFC - Cyber Private Enterprise Program

Project Number: CFC-DC-19001-R

Reference Organization:

Reference Title:

Filing Status Changed: 01/13/2020

State Status Changed:

Created By: Linda Rothwell

Corresponding Filing Tracking Number: CFC-DC-19001-F

Status of Filing in Domicile:

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

Submitted By: Linda Rothwell

Filing Description:

Attached for your review is a Filing Authorization Letter from State National Insurance Company, Inc. (hereinafter referred to as the company) authorizing Martin & Company to submit this filing on their behalf. Please direct all correspondence regarding this filing to Martin & Company.

The Company is pleased to introduce its exclusive CFC Cyber Private Enterprise program.

The purpose of the Cyber Private Enterprise program is to provide small and medium enterprises with primary first party and third-party cyber insurance coverage. This coverage will be provided under the following insuring clauses:

Cyber Incident Response

Cyber Crime

System Damage and Business Interruption

Network Security and Privacy Liability

Media Liability

Technology Errors and Omissions

This new program is intended to provide a range of insurance coverage for first party income and business interruption losses suffered as a result of a cyber event such as cyber crime, data breaches, and system failures. It will also provide coverage for defense costs and indemnity costs suffered as a result of a cyber event.

Included in these insuring clauses are specialized coverage sections that are specifically designed for small and medium companies. These include IT Security and Forensic Costs, Crisis Communication Costs, Post Breach Remediation Costs, Electronic Theft of Your Financial Assets, Electronic Theft of Third-Party Funds Held in Escrow, Extortion, Authorized Push Payment Fraud, System Damage and Rectification Costs, Income Loss and Extra Expense, and Dependent Business Interruption.

It is designed for a broad spectrum of small and medium companies, including those operating in the professional services, healthcare, financial services, education, and manufacturing industries.

The company is submitting their initial rates and rules for this program. The data model and platform were developed specifically for this program.

A corresponding form filing is being submitted under separate cover.

The company requests that this filing become effective immediately upon approval by the Department.

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Please do not hesitate to contact us if you have any questions or additional information is needed.

Company and Contact

Filing Contact Information

Linda Rothwell, Compliance Analyst
P.O. Box 70
Edgemont, PA 19028-0070

lrothwell@martincompanyus.com
856-975-6135 [Phone]

Filing Company Information

State National Insurance
Company, Inc.
1900 L. Don Dodson Drive
Bedford, TX 76021
(800) 877-4567 ext. [Phone]

CoCode: 12831
Group Code: 785
Group Name: Markel Corporation
FEIN Number: 75-1980552

State of Domicile: Texas
Company Type: Property &
Casualty
State ID Number:

Filing Fees

Fee Required?	No
Retaliatory?	No
Fee Explanation:	

SERFF Tracking #:	STNA-132219480	State Tracking #:		Company Tracking #:	CFC-DC-19001-R
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Rate Information

Rate data does NOT apply to filing.

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Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		CFC CYBER RATING GUIDE	Pages 1-14 Edition 11 19	New		CFC Cyber Countrywide Rating Guide (USA) - 2020-01-07 rev 1.8.20.pdf

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Overview

- I. General Rules
- II. Cyber Rating Plan
- III. Cyber Rating Tables
- IV. Schedule Rating Modification

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Part I. General Rules

1.1. Rates and Rating

- I. All rating factors in this rating manual are multiplicative, unless otherwise noted.

1.2. Policy Term

- I. Rates are based on a standard twelve (12) month policy period.
- II. Policies underwritten for periods other than twelve (12) months will be prorated to time accordingly.

1.3. Coverage

- I. The policy is modular with six (6) heads of coverage offered: Media Liability, Network Security & Privacy Liability, Technology Errors & Omissions, System Damage & Business Interruption, Incident Response, and Cyber Crime. Each Head of Coverage corresponds to an Insuring Clause in the policy.
- II. Incident Response is the only mandatory coverage. The other coverages are elective, and CFC reserve the right to restrict these coverages in line with the particular risk characteristics and prevailing risk landscape.
- III. If Cyber Crime is not selected as a Head of Coverage, the policy will still include the Extortion cover only from this insuring clause. The rating for the Extortion cover is embedded within Incident Response Head of Coverage.
- IV. Endorsements are classed as an optional coverage and CFC reserve the right to restrict endorsements in line with the particular risk characteristics and prevailing risk landscape.

1.4. Interpolation

- I. Rating values not stated in this rating plan will be calculated via standard linear interpolation.

1.5. Additional Premium Charge

- I. The same rates and rules will apply to all insureds.
- II. Additional Premiums will be determined on a pro-rata basis and rounded according to the Rounding Procedure.
- III. Additional premiums of \$10 or less will be waived.

1.6. Return Premium Charge

- I. The same rates and rules will apply to all insureds.
- II. Return Premiums will be determined on a pro-rata basis and rounded according to the Rounding Procedure.

1.7. Rounding Procedure

- I. Round the premium after the final calculation as follows:
 - Premiums less than or equal to \$2,000 are rounded to the nearest \$10
 - Premiums greater than \$2,000 and less than or equal to \$5,000 are rounded to the nearest \$25
 - Premiums greater than \$5,000 and less than or equal to \$10,000 are rounded to the nearest \$50
 - Premiums greater than \$10,000 are rounded to the nearest \$100

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Part II. Cyber Rating Plan

The premium is calculated in two parts:

1. Head of Coverage premiums, including their respective endorsements
2. A final premium which is a summation of the Head of Coverage specific premiums (calculated in the step above) adjusted for general endorsements and Extended Reporting periods.

$$\begin{aligned} \text{Head of Coverage Premium} = & \text{Base Premium (Step 1) *} \\ & \text{Cyber Security Maturity Multiplier (Step 2) *} \\ & \text{Retention Multiplier (Step 3) *} \\ & \text{Limit of Liability Multiplier (Step 4) *} \\ & \text{Activity Multiplier (Step 5) *} \\ & \text{Indemnity Period Multiplier (Step 6) *} \\ & \text{Waiting Period Multiplier (Step 7) *} \\ & \text{Head of Coverage Specific Endorsement Multiplier (Step 8)} \\ \\ \text{Final Premium} = & \text{[SUM (Head of Coverage Premiums) + SUM (General Endorsements (Step 9))] *} \\ & \text{Commission Multiplier (Step 10)} \end{aligned}$$

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Part III. Cyber Rating Tables

Step 1: Base Premium

Base premium is calculated by multiplying the Base Rate by the insured's Rateable Revenue. The Rateable Revenue is the greater of

- The applicable exposure revenue for the period of cover
- \$50,000 x applicable headcount for the period of cover
- \$500,000

The table below shows the Base Rates for an insured by Head of Coverage.

Rateable Revenue	Media Liability	Network Security & Privacy Liability	Technology Errors & Omissions	System Damage & Business Interruption	Cyber Incident Response	Cyber Crime
First \$0.5m	0.00600%	0.00600%	0.12000%	0.09600%	0.14400%	0.08400%
Next \$1.0m	0.00300%	0.00300%	0.00480%	0.00384%	0.00576%	0.00336%
Next \$1.5m	0.00270%	0.00270%	0.00240%	0.00192%	0.00288%	0.00168%
Next \$2.0m	0.00210%	0.00210%	0.00240%	0.00192%	0.00288%	0.00168%
Next \$2.5m	0.00060%	0.00060%	0.00240%	0.00192%	0.00288%	0.00168%
Next \$2.5m	0.00060%	0.00060%	0.00480%	0.00384%	0.00576%	0.00336%
Next \$5.0m	0.00060%	0.00060%	0.00480%	0.00384%	0.00576%	0.00336%
Next \$5.0m	0.00060%	0.00060%	0.00480%	0.00384%	0.00576%	0.00336%
Next \$10.0m	0.00030%	0.00030%	0.00300%	0.00030%	0.00360%	0.00210%
Next \$10.0m	0.00030%	0.00030%	0.00300%	0.00030%	0.00360%	0.00210%
Next \$25.0m	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%
Next \$25.0m	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%
Next \$50.0m	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%
Next \$50.0m	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%
Next \$50.0m	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%
Next \$100.0m	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%
Next \$100.0m	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%
Next \$250.0m	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%
Next \$250.0m	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%	0.00030%

Worked example:

(1) Rateable Revenue = \$6.2m

Media Liability Base Premium = (\$0.5m x 0.006%) + (\$1.0m x 0.003%) + (\$1.5m x 0.0027%) + (\$2.0m x 0.0021%) + (\$1.2m x 0.0006%) = \$149.70

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Step 2: Cyber Security Maturity Multiplier

The Cyber Security Maturity Multiplier is derived from a comprehensive array of cyber security data signals that are captured on an Internet-wide scale and used as a measure for the risk profile of an organization using CFC's proprietary cyber security risk framework. These signals reflect what we classify as the most pertinent current key risk indicators at a given point in time and include current threat landscape, a client's email security protocols, cloud footprint and network infrastructure. These current and historical data signals are combined to produce an indicator of possible future cyber events as follows:

Security Maturity	Description	Multiplier*
1	Elevated general threat environment with sophisticated actors (such as nation states and terrorist groups) targeting the business, coupled with a low level of externally observable security controls	2.5
2	Average general threat environment or sophisticated actors (such as nation states and terrorist groups) targeting the business, coupled with a low level of externally observable security controls	1.5
3	Low general threat environment or moderate actors (such as organised criminal gangs) targeting the business, coupled with a low level of externally observable security controls	1.3
4	Elevated general threat environment with sophisticated actors (such as nation states and terrorist groups) targeting the business, coupled with average level of externally observable security controls	1.2
5	Average general threat environment or sophisticated actors (such as nation states and terrorist groups) targeting the business, coupled with average level of externally observable security controls	1.1
6	Low general threat environment or moderate actors (such as organised criminal gangs) targeting the business, coupled with average level of externally observable security controls	1.0
7	Elevated general threat environment with moderate actors (such as organised criminal gangs) targeting the business, coupled with average level of externally observable security controls	0.9
8	Average general threat environment or moderate actors (such as organised criminal gangs) targeting the business, coupled with high level of externally observable security controls	0.7
9	Low general threat environment or unsophisticated actors (such as hobbyists and opportunists) targeting the business, coupled with high level of externally observable security controls	0.6
10	Low general threat environment with unsophisticated actors (such as hobbyists and opportunists) targeting the business, coupled with high level of externally observable security controls	0.5

* Please note that the Cyber Security Maturity Multiplier does not apply to Media Liability or Technology Errors & Omissions

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Step 3: Retention Multiplier

Determine the Retention Multiplier by using a two-way look up based on the selected Retention and the Rateable Revenue.

Rateable Revenue	Retention						
	\$0	\$2,500	\$5,000	\$10,000	\$25,000	\$50,000	\$100,000
\$0.5m	1.100	1.000	0.850	0.723	0.600	0.550	0.500
\$5m	1.100	1.000	0.850	0.723	0.600	0.550	0.500
\$10m	1.100	1.100	1.000	0.795	0.676	0.600	0.550
\$25m	1.323	1.323	1.150	1.000	0.831	0.706	0.650
\$50m +	1.521	1.521	1.323	1.150	1.000	0.831	0.800

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Step 4: Limit of Liability Multiplier

This multiplier is based on a two-way lookup of Rateable Revenue and Limit of Liability.

Select Limit of Liability Band based on Rateable Revenue.

Rateable Revenue	Limit of Liability Band
Micro SME: \$0m to < \$10m	Low
Small SME: \$10m to < \$50m	Medium
Medium SME: \$50m+	High

Select the Limit of Liability Multiplier Based on Limit of Liability and Limit of Liability Band

Limit of Liability	Low: Incident Response	Low: Cyber Crime	Low: Other Heads	Med: Incident Response	Med: Cyber Crime	Med: Other Heads	High: Incident Response	High: Cyber Crime	High: Other Heads
0	0.40	0.50	0.40	0.44	0.55	0.44	0.48	0.61	0.48
100,000	0.50	0.75	0.50	0.55	0.83	0.55	0.61	0.91	0.61
250,000	0.60	1.00	0.60	0.66	1.00	0.66	0.75	1.00	0.75
500,000	0.75	1.50	0.75	0.83	1.65	0.83	0.89	1.82	0.91
1,000,000	1.00	2.50	1.00	1.00	3.00	1.00	1.00	3.75	1.00
1,500,000	1.25	3.30	1.25	1.50	4.35	1.50	1.70	5.50	1.70
2,000,000	1.40	4.00	1.50	1.81	5.40	1.95	2.15	6.80	2.35
2,500,000	1.75	4.65	1.98	2.02	6.15	2.32	2.50	7.75	2.90
3,000,000	2.10	5.20	2.55	2.20	6.67	2.65	2.75	8.45	3.35
3,500,000	2.65	5.60	3.20	2.32	7.10	2.93	2.90	9.10	3.66
4,000,000	3.25	6.00	3.88	2.40	7.48	3.12	3.00	9.63	3.87
5,000,000	4.75	6.54	5.45	2.55	8.06	3.44	3.13	10.48	4.20
10,000,000	5.85	7.75	6.55	3.35	10.40	4.69	4.25	13.52	5.95

Worked example:

(1) Rateable Revenue = \$25m, Limit of Liability = \$1.5m,
Incident Response Limit of Liability Multiplier = 1.50

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Step 5: Activity Multiplier

Each insured is classified into an Activity Risk Tier for the purpose of defining their exposure level. Each Activity Risk Tier is then assigned a different Activity Risk Multiplier. The allocation of an Activity Risk Tier is based upon the Head of Coverage and the nature of the insured's business operations. If the insured's business operations are not listed, select the appropriate activities that are most like their business operations and general perceived risk.

Assigning an Activity Risk Tier

Activity Risk Tier	Media Liability	Network Security & Privacy Liability	Technology Errors & Omissions	System Damage & Business Interruption	Cyber Incident Response	Cyber Crime
1 – 4 (Very Low Risk)	Nuclear Power Plant, Electricity Transmission, Construction, Artisan, Management Consultant	Saw Mill, Automotive Dealer, Trucking, Museum, Construction	Accountant, Law Firm, Engineer, Architect, Assisted Living Facility	Automotive dealer, Construction, Plumber, Electrician, Tradesman	Automotive dealer, Construction, Geotechnical Engineer, Landscape Gardener, Mechanic	Distillery, Rehabilitation Centre, Speech Therapist, Midwife, Tobacco Manufacturer
5 – 9 (Low Risk)	Physician, Senior Care Facility, Social Care Worker, Public Entity, Trucking	Textile Manufacturer, PR Consultant, Structural Engineer, Teaching Hospital, Library	Audio Visual Engineer, IT Consultant, Network Architect, IT Recruitment, IT Helpdesk	Distillery, Teaching hospital, Architect, Geotechnical Engineer, Management Consultant	Assisted living facility, Museum, Textile Manufacturer, Food & Beverage Distributor, Structural Engineer	Pre-school, Faith school, Training College, Motel, Waste management
10 – 14 (Medium Risk)	Charity, Insurance Agent, Commercial Law Firm, IT Consultant, Software Developer	Consumer Goods Manufacturer, Insurance Agent Senior Care, Accountant, Cinema	CRM Software Developer, Data Centre Operator, IT Security Consultant Web Designer, Automation Engineer	Textile Manufacturing, Accountant, Insurance Agent, IT Consultant, Radio Station	Optometrist, Dentist, Paediatrician, Shopping Mall, Amusement Park	Accountant, Personal Lines Insurance Agent, Recruitment Consultant, M&A Advisor, Criminal Attorney
15 – 19 (High Risk)	Radio Station, Online Blog, Social Media Influencer, Political Author, Newspaper Journalist	Clinical Research Organisation, Professional Employment Organisations, Recruitment Agency, Physicians Group, Hospital, Attorney	Managed Service Provider, E-commerce Platform Provider Business to Consumer Platform Provider, Online auction house	Personal Lines Insurance Company, Public Entity, Digital Advertising Agency, Acute Care Hospital	Coal-fired power station, Healthcare insurer, Preferred Provider Organizations, Law Firm, School District	Investment Advisor, Commercial Insurance Agent, Real Estate Agent, Stock Broker, Real Estate Law Firm
20 – 24 (Very High Risk)	Newspaper Publisher, Magazine Publisher, TV Network, Post Production House, Pharmaceutical Manufacturer	Healthcare Insurer, Telemedicine, Data Aggregator, Public Cloud Service Provider, Social Media Platform	Control Systems Integrator, Payment Service Provider, Software Escrow Services, Medical Billings Platform Provider, Telemedicine	Natural gas supplier, Nuclear power station, Electricity Grid, Stock exchange, Telecoms Provider	Federal Government, Political Think Tank, Defence Contractor, Credit Card Brand, Investment Bank	Community bank, Credit Union, Insurance Company, Investment Manager, Title / Escrow Agent

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Assigning an Activity Risk Multiplier

Activity Risk Tier	Media Liability	Network Security & Privacy Liability	Technology Errors & Omissions	System Damage & Business Interruption	Cyber Incident Response	Cyber Crime
1	0.50	0.50	0.50	0.50	0.50	0.50
2	0.51	0.51	0.51	0.52	0.54	0.57
3	0.55	0.55	0.55	0.57	0.55	0.64
4	0.56	0.56	0.56	0.63	0.61	0.71
5	0.60	0.60	0.60	0.67	0.68	0.79
6	0.63	0.63	0.63	0.71	0.77	0.86
7	0.64	0.64	0.64	0.73	0.83	0.89
8	0.66	0.66	0.66	0.79	0.90	0.93
9	0.71	0.71	0.71	0.84	0.94	1.00
10	0.75	0.75	0.75	0.86	1.03	1.07
11	0.82	0.82	0.82	0.92	1.12	1.14
12	0.83	0.83	0.83	0.94	1.20	1.21
13	0.89	0.89	0.89	1.01	1.21	1.30
14	0.91	0.91	0.91	1.05	1.27	1.36
15	0.93	0.93	0.93	1.10	1.34	1.43
16	1.00	1.00	1.00	1.21	1.41	1.50
17	1.07	1.07	1.07	1.31	1.49	1.57
18	1.14	1.14	1.14	1.45	1.60	1.64
19	1.21	1.21	1.21	1.47	1.63	1.71
20	1.35	1.35	1.35	1.58	1.71	1.79
21	1.49	1.49	1.49	1.68	1.78	1.86
22	1.70	1.70	1.70	1.79	1.85	1.93
23	1.81	1.81	1.81	1.89	1.93	2.00
24	2.00	2.00	2.00	2.00	2.00	4.00

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Step 6: Indemnity Period Multiplier

Applies to the System Damage & Business Interruption Head of Coverage only.

Indemnity Period (# of months)	Multiplier
1	0.50
3	0.75
6	1.00
12	1.50
24	2.00

Step 7: Waiting Period Multiplier

Applies to the System Damage & Business Interruption Head of Coverage only.

Waiting Period (# of hours)	Multiplier
1	2.00
2	1.75
4	1.50
6	1.25
8	1.00
10	0.90
12	0.80
24	0.70
48	0.60
72	0.50

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Step 8: Head of Coverage Specific Endorsement Multiplier

The table below contains the adjustments applicable to specific Head of Coverage premiums based on the endorsements selected.

Endorsement #	Endorsement Description	Premium Adjustment
1	Media liability amendatory endorsement	+ 15% of Media Liability premium
2	Other insurance exclusion deletion endorsement	+ 2.5% of every Head of Coverage premium except Technology Errors & Omissions
3	Incident response outside of policy limit endorsement	+ 2.5% of every Head of Coverage premium except Technology Errors & Omissions
4	System damage and rectification costs amendatory endorsement	+ 20% of System Damage & Business Interruption premium
5	Customer payment fraud extension endorsement	+ 20% of Cyber Crime premium
6	System failure extension endorsement	+ 10% of System Damage & Business Interruption premium
7	Consequential reputational harm extension endorsement	+ 30% of System Damage & Business Interruption premium
8	Customer consequential reputational harm extension endorsement	+ 10% of System Damage & Business Interruption premium
9	Contractual consequential reputation harm extension endorsement	+ 20% of System Damage & Business Interruption premium

Worked example:

System Damage & Business Interruption Endorsement Multiplier where endorsements 2, 4 and 7 have been selected

(1) Multiplier = $(1 + 0.025 + 0.20 + 0.30) = (1 + 0.525) = 1.525$

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Step 9: General Endorsements

The table below contains the adjustments applicable to the summation of the Head of Coverage premiums based on the endorsements selected.

Endorsement #	Endorsement Description	Premium Adjustment
10	Additional extra expense extension endorsement	+ \$10 to the total premium
11	Additional insureds condition endorsement	+ \$10 to the total premium
12	Betterment exclusion amendatory endorsement	+ \$10 to the total premium
13	Claim definition amendatory endorsement	+ \$10 to the total premium
14	Continuous cover condition endorsement	+ \$10 to the total premium
15	Criminal, malicious or dishonest acts of senior executive officers exclusion deletion endorsement	+ \$10 to the total premium
16	Hardware replacement costs extension endorsement	+ \$10 to the total premium
17	Innocent non-disclosure condition endorsement	+ \$10 to the total premium
18	Pollution exclusion deletion endorsement	+ \$10 to the total premium
19	Property perils exclusion deletion endorsement	+ \$10 to the total premium
20	Transfer of third party funds exclusion endorsement	- \$10 to the total premium
21	Unlawful collection of data exclusion deletion endorsement	+ \$10 to the total premium
22	Verification of fund transfers condition deletion endorsement	+ \$10 to the total premium
23	Criminal, malicious or dishonest acts of senior executive officers exclusion amendatory endorsement	+ \$10 to the total premium

Step 10: Commission Multiplier

Commission Adjustment Factor = $(1 - \text{Standard Commission Percentage}) / (1 - \text{Actual Charged Commission Percentage})$, rounded to the nearest 3 decimal places.

Standard Commission Percentage = 20.0%.

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Extended Reporting or Discovery Period Premium Calculation

Endorsement Description	Premium Multiplier Applied to the Head of Coverage Premiums Including their Endorsements as Applicable
Extended reporting period endorsement	Apply rates in the table below to Media Liability and Technology Errors & Omissions
Extended discovery period endorsement	Apply rates in the table below to all heads except Media Liability and Technology Errors & Omissions
Extended discovery period with system failure endorsement	Apply rates in the table below to all heads except Media Liability and Technology Errors & Omissions

The standard Extended Reporting Period (ERP) and Extended Discovery Period (EDP) length is twelve (12) months. State laws and regulations regarding minimum reporting periods must be followed.

Extended Period Length	Multiplier
12 Months	1.00
24 Months	1.50
36 Months	2.00

Worked example:

System Damage & Business Interruption Extended Reporting or Discovery Period Multiplier where the applicable endorsement has been selected and for a period of 30 months

(1) Multiplier = 1.75

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Part IV. Schedule Rating Modification

Other risk modifications may be applied to rates. These **Schedule Rating Modifiers** take into consideration unusual circumstances in the characteristics of each insured in the following schedule:

Schedule Rating Modifiers

Modification #	Modification Description	Maximum Credit	Maximum Debit
1	Volume and nature of information stored and/or managed and/or processed	25%	25%
2	Sensitivity to any material changes in the macroeconomic environment	25%	25%
3	Relative complexity and sophistication of business operations	25%	25%
4	Overall financial health of the business	25%	25%
5	Quality of management and maturity of the business	25%	25%

The maximum total credit or debit will not exceed 25%, collectively for all **Schedule Rating Modifiers**.

State:	District of Columbia	Filing Company:	State National Insurance Company, Inc.
TOI/Sub-TOI:	17.0 Other Liability-Occ/Claims Made/17.0024 Internet Liability		
Product Name:	CFC - Cyber Private Enterprise Program		
Project Name/Number:	CFC - Cyber Private Enterprise Program/CFC-DC-19001-R		

Supporting Document Schedules

Satisfied - Item:	Consulting Authorization
Comments:	A third party authorization letter is attached.
Attachment(s):	FAL SNIC CFC DC GL 11-13-19-RR.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Certification (P&C)
Comments:	
Attachment(s):	CFC Expense Exhibits Cyber CW Revised.pdf
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Bypass Reason:	This is a new program.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Bypass Reason:	This is a new program.
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Explanatory Memorandum
Comments:	An explanatory memorandum is attached.
Attachment(s):	CFC CYBER Explanatory Memorandum.pdf
Item Status:	
Status Date:	



November 13, 2019

Office of the Commissioner
Government of the District of Columbia
Department of Insurance, Securities and Banking
Property and Casualty
810 First Street, NE, #701
Washington, DC 20002

**Re: Letter of Filing Authorization
State National Insurance Company, Inc.
NAIC # 0785-12831; FEIN # 75-1980552
General Liability
Rate/Rule Filing**

Dear Ladies/Gentlemen:

This letter will certify that Martin & Company has been given full authorization to submit the captioned filing on behalf of State National Insurance Company, Inc. This authorization extends to all correspondence related to the referenced filing only. It does not apply to any subsequent filings made after the approval of the referenced filing.

Please direct all correspondence in relation to this filing directly to Linda Rothwell, Martin & Company, P.O. Box 70, Edgemont, PA 19028. Should you have any questions concerning this filing, please contact Linda at (856) 975-6135 or by email at LRothwell@martincompanyus.com. Should you need to contact an insurance company representative concerning this filing, please contact the filing department at State National Companies, 1900 L. Don Dodson Drive, Bedford, Texas 76021 via email at Filings@StateNational.com.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "David Cleff".

David M. Cleff
Executive Vice President

Cc: File (CFC USA Ins.)

State National Companies

PO Box 24622
Fort Worth, Texas 76124

phone 817.265.2000
toll-free 800.877.4567

statenational.com

State National Insurance Company
 CFC Underwriting Cyber Protection
 Other Liability - Occurrence
 Countrywide
 Development of Expense Provisions and Permissible Loss Ratio

		Direct Data (\$000)				
		<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>	
A. Written Premium	IEE	63,999	20,494	68,826	153,319	
B. Earned Premium	IEE	91,815	40,111	44,542	176,468	
C. Commission & Brokerage Fees	IEE	12,433	2,606	11,598	26,637	
D. Other Acquisition Expense	IEE	-	-	-	-	
E. General Expense	IEE	2,865	569	2,788	6,222	
F. Taxes, Licenses and Fees	IEE	1,404	435	1,422	3,261	
						Selected
						<u>Average</u>
G. Commission & Brokerage Fees	= C. / A.	19.4%	12.7%	16.9%	17.4%	20.00%
H. <u>Other Acquisition Expense</u>	= D. / A.	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.00%</u>
I. Total Production Expense	= G. + H.	19.4%	12.7%	16.9%	17.4%	20.00%
J. General Expense	= E. / B.	3.1%	1.4%	6.3%	3.5%	3.53%
K. Taxes, Licenses and Fees	= F. / A.	2.2%	2.1%	2.1%	2.1%	2.13%
L. Expense Provision	= I. + J. + K.				23.0%	25.65%
M. Pre-Tax Profit Target	Selected					7.00%
N. <u>Investment Income Offset</u>	= -Sheet 2, G3 for selected.					<u>-9.81%</u>
O. Pre-Tax Underwriting Profit Provision	= M. + N.					-2.81%
P. Projected Expense Ratio	= L. + O.					22.84%
Q. Permissible Loss and LAE Ratio	= 1 - P.					77.16%

* Selected Commissions equal to negotiated program specific commission

State National Insurance Company
CFC Underwriting Cyber Protection
Other Liability - Occurrence
Countrywide
Estimated Investment Income

A.	A1. Direct Earned Premium for Calendar Year 2018	44,542,000	2018 IEE
B.	Unearned Premium Reserve		
	B1. Unearned Premium Reserve		
	a @ Year-End 2018	39,578,000	2018 IEE
	b @ Year-End 2017	15,295,000	2017 IEE
	c Mean Unearned Premium Reserve during 2018	27,436,500	$= (a + b)/2$
	B2. Deduction for Prepaid Expenses		
	a Commission and Brokerage	20.0%	$= \text{Exh 1, Sh 1, G.}$
	b Taxes, Licenses and Fees	2.1%	$= \text{Exh 1, Sh 1, K.}$
	c 50% of Other Acquisition Expenses	0.0%	$= (\text{Exh 1, Sh 1, H.})/2$
	d 50% of General Expenses	1.8%	$= (\text{Exh 1, Sh 1, J.})/2$
	e Total	23.9%	$= a + b + c + d$
	B3. Unearned Premium Reserve Subject to Investment	20,881,958	$= B1.c * (1-B2.e)$
C.	Delayed Remission of Premiums (Agents' Balances)		
	C1. Direct Written Premium for Calendar Year 2018 - All Lines	759,954,000	2018 IEE
	C2. Net Agents' Balances @ Year-End 2018	45,858,765	2018 A.S. p 2
	C3. Net Agents' Balances @ Year-End 2017	34,236,713	2017 A.S. p 2
	C4. Average Agents' Balances Ratio to Written Premium	0.053	$= [(C2.+C3.)/2]/C1.$
	C5. Deduction for Delayed Remission of Premium	2,347,256	$= C4. * A1.$
D.	Loss and LAE Reserve		
	D1. Expected Loss and LAE Ratio	77.2%	$= \text{Sheet 1, Q.}$
	D2. Expected Incurred Loss & LAE	34,368,827	$= D1. * A1.$
	D3. Average Duration of Loss & LAE Reserves	5.008	$= \text{Sheet 3, (m)}$
	D4. Expected Loss & LAE Reserves	172,123,169	$= D2. * D3.$
E.	Reserve Funds Subject to Investment	190,657,871	$= B3.- C5. + D4.$
F.	Expected Rate of Return on Invested Assets - After FIT	1.81%	$= \text{Sheet 4, (j)}$
G.	G1. Investment Earnings on Reserve Funds - After FIT	3,451,831	$= E. * F.$
	G2. Investment Earnings on Reserve Funds as a % of Premium - After FIT	7.7%	$= G1. / A1.$
	G3. Investment Earnings on Reserve Funds as a % of Premium - Before FIT	9.8%	$= G2. / (1-A2.)$
H.	Operating Ratio - After FIT	5.5%	$\text{selected}] * (1-A2.)$

State National Insurance Company
 CFC Underwriting Cyber Protection
 Other Liability - Occurrence
 Countrywide
 Average Duration of Loss & LAE Reserves

This Exhibit is patterned after Rev. Proc. 2016-58 in Internal Revenue Bulletin 2016-51 for computing discounted unpaid losses under § 846

(a) Applicable interest rate **2.71%** = Sheet 4, (f)

(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Tax Year	Estimated Cumulative Losses Paid	Estimated Losses Paid Each Year	Unpaid Losses at Year End	Payment Lag	Single Payment Discount Factors	Year	Calculated Discount Factors
	0.0000%	0.0000%	100.0000%			0	87.7551%
2019	10.0721%	10.0721%	89.9279%	0.5	98.6700%	1	88.8811%
2020	24.3995%	14.3274%	75.6005%	1.5	96.0629%	2	89.3879%
2021	37.3366%	12.9371%	62.6634%	2.5	93.5246%	3	89.8455%
2022	52.4142%	15.0776%	47.5858%	3.5	91.0534%	4	89.4120%
2023	64.3437%	11.9295%	35.6563%	4.5	88.6475%	5	88.6571%
2024	73.7950%	9.4513%	26.2050%	5.5	86.3052%	6	87.3539%
2025	79.7756%	5.9806%	20.2244%	6.5	84.0247%	7	86.2876%
2026	84.0963%	4.3207%	15.9037%	7.5	81.8045%	8	85.1741%
2027	85.6878%	1.5915%	14.3122%	8.5	79.6430%	9	85.9443%
2028	86.9224%	1.2346%	13.0776%	9.5	77.5386%	10	87.0428%
2029	88.1570%	1.2346%	11.8430%	10.5	75.4898%	11	88.1602%
2030	89.3916%	1.2346%	10.6084%	11.5	73.4952%	12	89.2965%
2031	90.6262%	1.2346%	9.3738%	12.5	71.5532%	13	90.4520%
2032	91.8608%	1.2346%	8.1392%	13.5	69.6625%	14	91.6265%
2033	93.0954%	1.2346%	6.9046%	14.5	67.8219%	15	92.8196%
2034	94.3300%	1.2346%	5.6700%	15.5	66.0298%	16	94.0303%
2035	95.5646%	1.2346%	4.4354%	16.5	64.2851%	17	95.2557%
2036	96.7992%	1.2346%	3.2008%	17.5	62.5865%	18	96.4883%
2037	98.0338%	1.2346%	1.9662%	18.5	60.9328%	19	97.6999%
2038	99.2684%	1.2346%	0.7316%	19.5	59.3228%	20	98.6700%
2039	100.0000%	0.7316%	0.0000%	20.5	57.7553%	21	

(j) Average Reserve:Incurred Ratio (%) **5.140** = Sumproduct of (d) & (f)
 (k) Estimated Reserve Discount **12.2449%** = 1 - [(i) for Year 0]
 (l) Federal Income Taxes Payable **2.57%** = (k) * 21%
 (m) Average Duration of Loss & LAE Reserves **5.008** = (j) * [1 - (l)]

Notes:

- (b) Tax Year when Discount Factor in (i) is applicable to Accident Year 2019 Reserves.
- (c) Cumulative payment pattern estimated.
- (d) Incremental payment pattern based on (c).
- (e) = 100% - (c)
- (f) Assumes mid-year payment for increment in (d).
- (g) = [1 + (a)]^-(f)
- (h) = Age of Accident Year when Discount Factor in (i) is applicable.
- (i) = {Sumproduct of [(d); starting one row below, extending to terminal tax year] & [(g); starting Payment Lag 0.5, extending for same

State National Insurance Company
 CFC Underwriting Cyber Protection
 All Lines
 Countrywide
 Projected After Tax Yield

	(a)	(b)	(c)	(d)	(e)
	Invested Assets	Currently Available Yield	Return on Invested Assets	Federal Income Tax Rate	Federal Income Tax Payable
Bonds - Taxable	2,682,168,411	2.23%	59,705,244	28.58%	17,065,662
Bonds - Non-Taxable	2,873,510,638	1.67%	48,020,892	6.65%	3,191,676
Bonds	5,555,679,048	1.94%	107,726,136	18.80%	20,257,338
Common Stocks (unaffiliated)	1,506,546,804				
Common Stocks Dividends		0.93%	14,075,584	13.13%	1,847,420
Common Stocks Capital Gains		5.55%	83,682,251	21.00%	17,573,273
Preferred Stocks (unaffiliated)	-	4.71%	-	13.13%	-
Stocks	1,506,546,804	6.49%	97,757,835	19.87%	19,420,693
Real Estate	14,649,097	3.81%	557,642	21.00%	117,105
Cash	199,400,194	1.87%	3,722,137	27.30%	1,016,143
Receivables	434,738,554	9.81%	42,633,361	19.45%	8,832,639
Less: Investment Expenses Depreciation			43,119,573	21.00%	9,055,110
Cash and Invested Assets	7,711,013,697		209,277,538		40,588,808
(f) Projected Yield on Invested Assets		2.71%			
(h) Projected After Tax Yield		2.19%			
(h1) Loss Reserves	3,622,287,223				
(h2) Loss Adjustment Expense Reserves	978,571,787				
(h3) Unearned Premium Reserves	1,557,637,754				
(h4) Surplus as Regards to Policyholders	3,158,828,017				
(h) Total	9,317,324,781				
(i) Projected Yield Adjusted to Reserve and Surplus Base		2.25%			
(j) Projected After Tax Yield		1.81%			

Notes:

- (a) From 2018 Annual Statement Schedule D and "Assets" (Page 2).
- (b) Currently available yields by asset class and maturity as of 4/3/19.
- (c) = (a) * (b);
Investment Expenses from 2018 Annual Statement "Underwriting & Investment Exhibit" (Page 11).
- (d) Per Internal Revenue Service.
- (e) = (c) * (d)

State National Insurance Company
 CFC Underwriting Cyber Protection
 Countrywide

Support for Premium to Surplus Ratios
This calculation allocates Policyholders Surplus by Reserves and Earned Premium

<u>2018 Allocated Policyholders Surplus</u>								
[1a]	[1b]	[2]	[3]	[4]	[4b]	[5]	[6]	[7]
Line Number	Line Name	U/E Prem	Unpaid Loss	Unpaid LAE	Earned Premium	Total Reserves+EP [2]+[3]+[4]+[4b]	% of Col [5] / Total Col[5]	Surplus By Line Col [6] * Total Col[7]
17.1	Other Liab - Occurrence	39,578	174,576	26,330	44,542	285,026	13.9%	165,815
35.0	Total	318,134	878,192	111,942	741,396	2,049,664	100.00%	
Total 2018 PH Surplus								1,192,401

<u>2017 Allocated Policyholders Surplus</u>								
[1a]	[1b]	[8]	[9]	[10]	[10b]	[11]	[12]	[13]
Line Number	Line Name	U/E Prem	Unpaid Loss	Unpaid LAE	Earned Premium	Total Reserves [8]+[9]+[10]+[10b]	% of Col [11] / Total Col[11]	Surplus By Line Col [12] * Total Col[13]
17.1	Other Liab - Occurrence	15,295	208,712	30,035	40,111	294,153	14.7%	65,291
35.0	Total	299,576	861,731	105,911	728,004	1,995,222	100.00%	
Total 2017 PH Surplus								442,864

[1a]	[1b]	[14]	[15]	[16]
Line Number	Line Name	2-Yr Avg Surplus {[7]+[13]}/2	2-Yr Avg Direct Earned Premium	Calculated Prem to Surplus Factor [15]/[14]
17.1	Other Liab - Occurrence	115,553	42,327	0.37

STATE NATIONAL INSURANCE COMPANY
CFC CYBER PRIVATE ENTERPRISE PROGRAM
EXPLANATORY MEMORANDUM

State National Insurance Company is pleased to introduce its exclusive CFC Cyber Private Enterprise program and has authorized Martin and Company to submit this filing on the Company's behalf.

The purpose of the Cyber Private Enterprise program is to provide small and medium enterprises with primary first party and third-party cyber insurance coverage. This coverage will be provided under the following insuring clauses:

Cyber Incident Response

Cyber Crime

System Damage and Business Interruption

Network Security and Privacy Liability

Media Liability

Technology Errors and Omissions

This new program is intended to provide a range of insurance coverage for first party income and business interruption losses suffered as a result of a cyber event such as cyber crime, data breaches, and system failures. It will also provide coverage for defense costs and indemnity costs suffered as a result of a cyber event.

Included in these insuring clauses are specialized coverage sections that are specifically designed for small and medium companies. These include IT Security and Forensic Costs, Crisis Communication Costs, Post Breach Remediation Costs, Electronic Theft of Your Financial Assets, Electronic Theft of Third-Party Funds Held in Escrow, Extortion, Authorized Push Payment Fraud, System Damage and Rectification Costs, Income Loss and Extra Expense, and Dependent Business Interruption.

It is designed for a broad spectrum of small and medium companies, including those operating in the professional services, healthcare, financial services, education, and manufacturing industries.

The company is submitting their initial rates, rules and forms for this program. The data model and platform were developed specifically for this program.

Please be advised the forms are system-generated and may be formatted differently due to system constraints. The content, however, will remain the same. Therefore, the forms will not be re-filed unless otherwise requested by your Department in response to this filing.